

*Ann M. Menke*

**Certified Public Accountant  
A Professional Corporation**

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**CITY OF COLUMBUS JUNCTION**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2010**

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## City of Columbus Junction

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2010)</b>		
Daniel Wilson	Mayor	January 1, 2010
C.P. Pierce	Council Member	January 1, 2010
Harold Prior	Council Member	January 1, 2010
T. Mark Houston	Council Member	January 1, 2012
David Duncan	Council Member	January 1, 2012
Phil Kaalberg	Council Member	January 1, 2012
<b>(After January 2010)</b>		
Daniel Wilson	Mayor	January 1, 2014
T. Mark Houston	Council Member	January 1, 2012
David Duncan	Council Member	January 1, 2012
Phil Kaalberg	Council Member	January 1, 2012
C.P. Pierce	Council Member	January 1, 2014
Harold Prior	Council Member	January 1, 2014
Julie Heindel	City Clerk	Indefinite
Timothy K. Wink	City Attorney	Indefinite

**CITY OF COLUMBUS JUNCTION**

*Ann M. Menke*

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
Columbus Junction, Iowa

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Columbus Junction, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Columbus Junction's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2009.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Columbus Junction as of June 30, 2010, and the respective changes in cash basis financial position for year then ended in conformity with the basis of accounting described in Note 1.

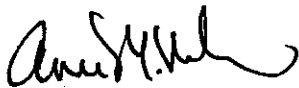
In accordance with Government Auditing Standards, I have also issued my report dated March 1, 2011 on my consideration of the City of Columbus Junction's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Budgetary comparison information on page 15 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

The City of Columbus Junction, Iowa has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Columbus Junction's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sincerely,



Ann M. Menke  
Certified Public Accountant  
Professional Corporation  
March 1, 2011

## **FINANCIAL STATEMENTS**

**City of Columbus Junction**  
**Statement of Activities and Net Assets - Cash Basis**  
**For the Year Ended June 30, 2010**

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 355,510	\$ 43,659	\$ -	\$ -
Public works	248,799	5,668	176,248	-
Health and social services	-	-	-	-
Culture and recreation	68,121	3,482	-	-
Community and economic development	15,754	-	-	-
General government	123,806	-	-	-
Debt service	22,222	-	-	-
Total governmental activities	834,212	52,809	176,248	0
Business type activities				
Meter deposits	4,329	7,709	-	-
Solid waste	126,811	125,266	-	-
Water	429,295	215,962	-	159,987
Sewer	194,276	168,890	-	-
Total business type activities	754,711	517,827	-	159,987
Total	\$ 1,588,923	\$ 570,636	\$ 176,248	\$ 159,987
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Loan proceeds				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Unrestricted				
Total cash basis net assets				



Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (311,851)	\$ -	\$ (311,851)
(66,883)	-	(66,883)
-	-	-
(64,639)	-	(64,639)
(15,754)	-	(15,754)
(123,806)	-	(123,806)
(22,222)	-	(22,222)
<u>(605,155)</u>	<u>-</u>	<u>(605,155)</u>
-	3,380	3,380
-	(1,545)	(1,545)
-	(53,346)	(53,346)
-	(25,386)	(25,386)
-	(76,897)	(76,897)
<u>(605,155)</u>	<u>(76,897)</u>	<u>(682,052)</u>
336,697	-	336,697
21,365	-	21,365
46,546	-	46,546
89,456	-	89,456
34,260	-	34,260
1,728	1,578	3,306
45,900	-	45,900
<u>575,952</u>	<u>1,578</u>	<u>577,530</u>
(29,203)	(75,319)	(104,522)
217,313	336,000	553,313
<u>\$ 188,110</u>	<u>\$ 260,681</u>	<u>\$ 448,791</u>
188,110	260,681	448,791
<u>\$ 188,110</u>	<u>\$ 260,681</u>	<u>\$ 448,791</u>

See notes to financial statements.

**City of Columbus Junction**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the Year Ended June 30, 2010**

	General	Road Use Tax	Other Non Major Governmental Funds	Total
<b>Receipts:</b>				
Property tax	\$ 358,062	\$ -	\$ -	\$ 358,062
Tax increment financing	-	-	46,546	46,546
Other city taxes	89,456	-	-	89,456
Licenses and permits	5,668	-	-	5,668
Use of money and property	5,208	-	2	5,210
Intergovernmental	34,260	176,248	-	210,508
Charges for services	6,518	-	-	6,518
Miscellaneous	37,141	-	-	37,141
Total receipts	<u>536,313</u>	<u>176,248</u>	<u>46,548</u>	<u>759,109</u>
<b>Disbursements:</b>				
Operating:				
Public safety	355,510	-	-	355,510
Public works	6,060	242,738	-	248,798
Culture and recreation	68,121	-	-	68,121
Community and economic development	15,754	-	-	15,754
General government	109,039	-	14,767	123,806
Debt service	22,222	-	-	22,222
Capital projects	-	-	-	-
Total disbursements	<u>576,706</u>	<u>242,738</u>	<u>14,767</u>	<u>834,211</u>
(Deficiency) excess of receipts (Under) over disbursements	(40,393)	(66,490)	31,781	(75,102)
Other financing sources (uses)				
Proceeds of long-term debt	45,900	-	-	45,900
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources	<u>45,900</u>	<u>-</u>	<u>-</u>	<u>45,900</u>
Net change in cash balances	5,507	(66,490)	31,781	(29,202)
Cash balances beginning of year	280,564	80,250	(143,501)	217,313
Cash balances end of year	<u>\$ 286,071</u>	<u>\$ 13,760</u>	<u>\$ (111,720)</u>	<u>\$ 188,111</u>
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	\$ -	\$ -	\$ -
Unreserved:				
General fund	286,071	-	-	286,071
Special revenue fund	-	13,760	(112,389)	(98,629)
Permanent fund	-	-	669	669
Total cash basis fund balances	<u>\$ 286,071</u>	<u>\$ 13,760</u>	<u>\$ (111,720)</u>	<u>\$ 188,111</u>

See notes to financial statements.

**City of Columbus Junction**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the Year Ended June 30, 2010**

	Enterprise Funds				Total
	Water	Sewer	Solid Waste	Other Non Major Proprietary Funds	
Operating receipts:					
Use of money and property	\$ 371	\$ 1,016	\$ -	\$ 191	\$ 1,578
Intergovernmental	159,987	-	-	-	159,987
Charges for services	215,963	168,890	125,266	7,709	517,828
Total receipts	<u>376,321</u>	<u>169,906</u>	<u>125,266</u>	<u>7,900</u>	<u>679,393</u>
Operating disbursements:					
Business type activities	<u>429,295</u>	<u>150,485</u>	<u>126,811</u>	<u>4,330</u>	<u>710,921</u>
Total operating disbursements	<u>429,295</u>	<u>150,485</u>	<u>126,811</u>	<u>4,330</u>	<u>710,921</u>
(Deficiency) excess of operating receipts (under) over operating disbursements	(52,974)	19,421	(1,545)	3,570	(31,528)
Non-operating receipts (disbursements)					
Debt service	-	(43,792)	-	-	(43,792)
Total other financing sources	<u>-</u>	<u>(43,792)</u>	<u>-</u>	<u>-</u>	<u>(43,792)</u>
Net change in cash balances	(52,974)	(24,371)	(1,545)	3,570	(75,320)
Cash balances beginning of year	<u>106,871</u>	<u>170,351</u>	<u>16,660</u>	<u>42,118</u>	<u>336,000</u>
Cash balances end of year	<u>\$ 53,897</u>	<u>\$ 145,980</u>	<u>\$ 15,115</u>	<u>\$ 45,688</u>	<u>\$ 260,680</u>
<b>Cash Basis Fund Balances</b>					
Unreserved	<u>53,897</u>	<u>145,980</u>	<u>15,115</u>	<u>\$ 45,688</u>	<u>\$ 260,680</u>
Total cash basis fund balances	<u>\$ 53,897</u>	<u>\$ 145,980</u>	<u>\$ 15,115</u>	<u>\$ 45,688</u>	<u>\$ 260,680</u>

See notes to financial statements.

**City of Columbus Junction**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Columbus Junction is a political subdivision of the State of Iowa located in Louisa County. It was first incorporated in 1874 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and solid waste utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Columbus Junction has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific burdens on the City. The City of Columbus Junction has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizens of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Southeast Iowa Regional Planning Commission (SEIRP), Louisa County Solid Waste Commission, and Louisa County Drug Task Force.

**B. Basis of Presentation**

**Government-wide Financial Statement** – The statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

**City of Columbus Junction**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor governmental or proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for road construction and maintenance.

**City of Columbus Junction  
Notes to Financial Statements  
For the Year Ended June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste system.

**C. Measurement Focus and Basis of Accounting**

The City of Columbus Junction maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, public works, general government, and business type activities.

**City of Columbus Junction  
Notes to Financial Statements  
For the Year Ended June 30, 2010**

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2010 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The city had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 40.

**NOTE 3 – BONDS AND NOTES PAYABLE**

Annual debt service requirements to maturity for the revenue bonds and notes and bank notes are as follows:

Year Ending June 30,	Revenue Bonds/Notes		Bank Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	29,000	14,741	49,642	11,192	78,642	25,933
2012	30,000	13,650	197,719	5,384	227,719	19,034
2013	31,000	12,520	9,091	1,249	40,091	13,769
2014	32,000	11,351	24,365	489	56,365	11,840
2015	33,000	10,142	0	0	33,000	10,142
2016-2020	188,000	30,797	0	0	188,000	30,797
2021-2022	<u>49,000</u>	<u>2,012</u>	<u>0</u>	<u>0</u>	<u>49,000</u>	<u>2,012</u>
Total	<u>\$ 392,000</u>	<u>\$ 95,213</u>	<u>\$ 280,817</u>	<u>\$ 18,314</u>	<u>\$ 672,817</u>	<u>\$ 113,527</u>

The resolutions providing for the issuance of the revenue notes and bonds require that the notes and bonds will only be redeemed from the future earnings of the enterprise activity and the note and bond holders hold a lien on the future earnings of the funds.

**City of Columbus Junction**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2010**

**NOTE 3 – BONDS AND NOTES PAYABLE (Continued)**

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$505,000 of sewer revenue notes issued in February 2001. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant and extensions. The notes are payable solely from sewer customer net receipts and are payable through 2021. Annual principal and interest payments on the notes are expected to require less than 15 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$324,000. For the current year, principal and interest paid and total customer net receipts were \$29,801 and \$168,890, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$101,000 of sewer revenue notes issued in June 2002. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant and extensions. The notes are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 3 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$68,000. For the current year, principal and interest paid and total customer net receipts were \$6,095 and \$168,890, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Minimum amounts should be set aside in the sinking fund from the net revenues during each month of the year and shall not be less than  $1/6^{\text{th}}$  of the installment of interest coming due on the next interest payment date on the then outstanding bonds, plus  $1/12^{\text{th}}$  of the installment of principal coming due on such bonds on the next succeeding principal payment date until the full amount of such installment is on deposit in the sinking fund.



**City of Columbus Junction  
Notes to Financial Statements  
For the Year Ended June 30, 2010**

**NOTE 4 – PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary, except for police employees in which case, percentages are 6.14% and 9.20%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2010 was \$27,163, equal to the required contribution for the year.

**NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 8 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees. Retirees who choose to remain on the plan are required to pay the full cost of the premium to the City each month. The City then remits those premiums to Wellmark.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$512 for single coverage and \$1,286 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$86,816 and plan members eligible for benefits contributed \$16,603 to the plan.

**NOTE 6 – RISK MANAGEMENT**

The City of Columbus Junction is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**City of Columbus Junction**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2010**

**NOTE 7 – COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Sick leave benefits are not paid upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 10,354
Sick leave	60,821
Personal	305
Total	<u>\$ 71,480</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

**NOTE 8 – DEFICIT BALANCE**

The Urban Renewal Tax Increment Fund had a deficit balance of \$112,389 at June 30, 2010. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state taxes.

**NOTE 9 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 1, 2011 the date which the financial statements were available for issue.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Columbus Junction**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements and Changes in Balances -**  
**Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year Ended June 30, 2010**

	Governmental Funds Actual	Proprietary Funds Actual	Net
<b>Receipts</b>			
Property tax	\$ 358,062	\$ -	\$ 358,062
Tax increment financing collections	46,546	-	46,546
Other city taxes	89,456	-	89,456
Licenses and permits	5,668	-	5,668
Use of money and property	5,210	1,578	6,788
Intergovernmental	210,508	159,987	370,495
Charges for services	6,518	517,828	524,346
Miscellaneous	37,141	-	37,141
Total receipts	<u>759,109</u>	<u>679,393</u>	<u>1,438,502</u>
<b>Disbursements</b>			
Public safety	355,510	-	355,510
Public works	248,798	-	248,798
Culture and recreation	68,121	-	68,121
Community and economic development	15,754	-	15,754
General government	123,806	-	123,806
Debt service	22,222	-	22,222
Business type activities	-	710,921	710,921
Total disbursements	<u>834,211</u>	<u>710,921</u>	<u>1,545,132</u>
Excess of receipts over disbursements	(75,102)	(31,528)	(106,630)
Other financing sources, net	<u>45,900</u>	<u>(43,792)</u>	<u>2,108</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(29,202)	(75,320)	(104,522)
Balance, beginning of year	<u>217,313</u>	<u>336,000</u>	<u>553,313</u>
Balance, end of year	<u>\$ 188,111</u>	<u>\$ 260,680</u>	<u>\$ 448,791</u>

Budgeted Amounts		Final to
Original	Final	Net
		Variance
\$ 371,815	\$ 371,815	\$ (13,753)
47,820	47,820	(1,274)
80,185	80,185	9,271
6,050	6,050	(382)
8,200	8,200	(1,412)
215,050	375,050	(4,555)
579,792	579,792	(55,446)
13,208	13,208	23,933
<u>1,322,120</u>	<u>1,482,120</u>	<u>(43,618)</u>
338,881	338,881	(16,629)
185,177	185,177	(63,621)
81,014	81,014	12,893
31,092	31,092	15,338
45,162	45,162	(78,644)
42,140	42,140	19,918
557,200	737,200	26,279
<u>1,280,666</u>	<u>1,460,666</u>	<u>(84,466)</u>
41,454	21,454	(128,084)
<u>-</u>	<u>-</u>	<u>(2,108)</u>
41,454	21,454	(125,976)
<u>552,099</u>	<u>552,099</u>	<u>1,214</u>
<u>\$ 593,553</u>	<u>\$ 573,553</u>	<u>\$ (124,762)</u>

See accompanying independent auditor's report.

**City of Columbus Junction**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2010**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted revenues by \$160,000 and budgeted disbursements by \$180,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, public works, general government, and business type activities functions.

## **OTHER SUPPLEMENTARY INFORMATION**

**City of Columbus Junction**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the Year Ended June 30, 2010**

	Special Revenue	Permanent	
	Urban Renewal Tax Increment	Library Trust	Total
Receipts:			
TIF revenues	\$ 46,546	\$ -	\$ 46,546
Use of money	-	2	2
Total receipts	<u>46,546</u>	<u>2</u>	<u>46,548</u>
Disbursements:			
Operating:			
General government	14,767	-	14,767
Total disbursements	<u>14,767</u>	<u>-</u>	<u>14,767</u>
(Deficiency) excess of receipts			
(Under) over disbursements	31,779	2	31,781
Net change in cash balances	31,779	2	31,781
Cash balances beginning of year	<u>(144,168)</u>	<u>667</u>	<u>(143,501)</u>
Cash balances end of year	<u>\$ (112,389)</u>	<u>\$ 669</u>	<u>\$ (111,720)</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue fund	\$ (112,389)	\$ -	\$ (112,389)
Permanent fund	<u>-</u>	<u>669</u>	<u>669</u>
Total cash basis fund balances	<u>\$ (112,389)</u>	<u>\$ 669</u>	<u>\$ (111,720)</u>

See accompanying independent auditor's report.



**City of Columbus Junction**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Proprietary Funds**  
**As of and for the Year Ended June 30, 2010**

	<u>Meter Deposits</u>	<u>Total</u>
Operating receipts:		
Use of money and property	\$ 191	\$ 191
Charges for service	<u>7,709</u>	<u>7,709</u>
Total receipts	<u>7,900</u>	<u>7,900</u>
Operating disbursements:		
Business type activities	<u>4,330</u>	<u>4,330</u>
Total disbursements	<u>4,330</u>	<u>4,330</u>
(Deficiency) excess of receipts		
(Under) over disbursements	3,570	3,570
Cash balances beginning of year	<u>42,118</u>	<u>42,118</u>
Cash balances end of year	<u>\$ 45,688</u>	<u>\$ 45,688</u>
Cash Basis Fund Balances		
Unreserved	<u>\$ 45,688</u>	<u>\$ 45,688</u>
Total cash basis fund balances	<u>\$ 45,688</u>	<u>\$ 45,688</u>

See accompanying independent auditor's report.

**City of Columbus Junction**  
**Schedule of Indebtedness**  
**For the Year Ended June 30, 2010**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bond:			
Streets	September 19, 2005	3.75%	75,000
Streets	September 19, 2005	3.75%	75,000
Civic Center	November 30, 2006	4.00%	125,000
Civic Center	November 30, 2006	4.00%	125,000
Mower	June 29, 2010	4.00%	45,900
Revenue Notes:			
Sewer	August 15, 2002	3.00%	101,000
Sewer	February 9, 2001	3.92%	505,000
Total			

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
31,651	-	15,538	16,113	1,175
31,610	-	15,548	16,062	1,182
108,236	-	6,818	101,418	4,276
108,142	-	6,818	101,324	4,283
-	45,900		45,900	-
73,000	-	5,000	68,000	1,095
347,000	-	23,000	324,000	6,801
<u>\$ 699,639</u>	<u>\$ 45,900</u>	<u>\$ 72,722</u>	<u>\$ 672,817</u>	<u>\$ 18,812</u>

See accompanying independent auditor's report.

**City of Columbus Junction**  
**Bond and Note Maturities**  
**For the Year Ended June 30, 2010**

Bank Loans						
Year Ending June 30,	Streets		Streets		Mower	
	Issued Sep 19, 2005		Issued Sep 19, 2005		Issued June 29, 2010	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	3.75%	16,113	3.75%	16,062	4.00%	3,711
2012					4.00%	8,733
2013					4.00%	9,091
2014					4.00%	24,365
Total		<u>\$ 16,113</u>		<u>\$ 16,062</u>		<u>\$ 45,900</u>

Year Ending June 30,	Civic Center		Civic Center		
	Issued Nov 30, 2006		Issued Nov 30, 2006		
	Interest		Interest		
	Rates	Amount	Rates	Amount	Total
2011	4.00%	6,673	4.00%	7,083	49,642
2012	4.00%	94,651	4.00%	94,335	197,719
2013	-				9,091
2014					24,365
Total		<u>\$ 101,324</u>		<u>\$ 101,418</u>	<u>\$280,817</u>

Revenue Bonds and Notes					
Year Ending June 30,	Sewer		Sewer		Total
	Issued Aug 15, 2002		Issued Feb 9, 2001		
	Interest Rates	Amount	Interest Rates	Amount	
2011	3.00%	5,000	3.92%	24,000	29,000
2012	3.00%	5,000	3.92%	25,000	30,000
2013	3.00%	5,000	3.92%	26,000	31,000
2014	3.00%	5,000	3.92%	27,000	32,000
2015	3.00%	5,000	3.92%	28,000	33,000
2016	3.00%	6,000	3.92%	29,000	35,000
2017	3.00%	6,000	3.92%	30,000	36,000
2018	3.00%	6,000	3.92%	32,000	38,000
2019	3.00%	6,000	3.92%	33,000	39,000
2020	3.00%	6,000	3.92%	34,000	40,000
2021	3.00%	6,000	3.92%	36,000	42,000
2022	3.00%	7,000	3.92%	-	7,000
Total		\$ 68,000		\$ 324,000	\$392,000

See accompanying independent auditor's report.

*Ann M. Menke*

Certified Public Accountant  
A Professional Corporation

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council  
Columbus Junction, Iowa

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Columbus Junction, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated March 1, 2011. My report expressed qualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Columbus Junction's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Columbus Junction's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the

City of Columbus Junction's financial statement will not be prevented or detected and corrected in a timely basis. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items 2010-I-A and 2010-I-B to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items 2010-I-C and 2010-I-D to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Columbus Junction's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

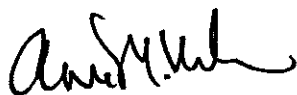
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Columbus Junction responses to finding identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Columbus Junction's responses and accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Columbus Junction and other parties to whom the City of Columbus Junction may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Columbus Junction during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Sincerely,



Ann M. Menke  
Certified Public Accountant  
Professional Corporation  
March 1, 2011

**City of Columbus Junction  
Schedule of Findings  
For the Year Ended June 30, 2010**

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**2010-I-A**

Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas for the City:

1. Accounting system – performing all general accounting functions and custody of assets.
2. Cash – preparing bank account reconciliations, initiating cash receipts and disbursement functions and handling and recording cash.
3. Investments – detailed record keeping, custody of investments and reconciling earnings.
4. Long term debt – recording and reconciling.
5. Receipts – collecting, depositing, journalizing, reconciling, and posting.
6. Utility receipts – billing, collecting, depositing, and posting.
7. Disbursements – check writing, reconciling, and posting.
8. Payroll – preparation, distribution, and posting.
9. Financial reporting – preparing, reconciling, and distributing.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of independent reviews should be indicated by initials of the independent reviewer.

Response – We will consider this.

Conclusion – Response accepted.

**2010-I-B**

Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – These procedures will be implemented as recommended.

Conclusion – Response accepted.

**City of Columbus Junction  
Schedule of Findings  
For the Year Ended June 30, 2010**

**Part I: Findings Related to the Financial Statements:**

**REPORTABLE CONDITIONS: (Continued)**

2010-I-C

Financial Reporting – During the audit, I identified a material amount of TIF revenues misposted to the General Fund rather than the Urban Renewal Tax Increment Account, Special Revenue Fund. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure TIF revenues are properly recorded in the Urban Renewal Tax Increment Account, Special Revenue Fund as required by Chapter 403.19 of the Code of Iowa.

Response – We will record TIF revenues in the proper fund as recommended.

Conclusion – Response accepted.

2010-I-D

Written Accounting Procedures Manual – We encourage the development of office procedures and standardized accounting manual for the City's financial accounting system. This written manual should provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

Recommendation – A written office procedures and standardized accounting manual should be prepared.

Response – The City is in the process of developing this manual.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



**City of Columbus Junction  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010**

**Part II: Other Findings Related to Statutory Reporting:**

**2010-II-A**

Certified Budget – Disbursements during the year ended June 30, 2010, exceeded the amounts budgeted in the public safety, public works, general government, and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.20 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

**2010-II-B**

Questionable Disbursements – No expenditures for parties, banquets, or other entertainment for employees were noted that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

**2010-II-C**

Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**2010-II-D**

Business Transactions – No business transactions between the City and City officials or employees were noted.

**2010-II-E**

Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**2010-II-F**

Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**City of Columbus Junction  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010**

**Part IV Other Findings Related to Statutory Reporting: (Continued)**

2010-II-G

Council Meetings – Transactions were found that we believe should have been approved in the council minutes but were not. We could not determine the vote of each member present; items passed were noted as carried.

The Council went into closed session. However, the minutes recorded did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open meetings law.

Recommendation – The city should approve all loan borrowings. Each member's vote should be noted in the minutes. The City should also comply with Chapter 21 of the Code of Iowa.

Response – City minutes will show approval for loan borrowings and each member's vote will be noted in the minutes. We will comply with Chapter 21 of the Code of Iowa.

Conclusion – Response accepted.

2010-II-H

Revenue Bonds/Notes – The City is in compliance with all requirements of the revenue bond and note resolutions.

2010-II-I

Payment of General Obligation Debt – Certain general obligation debt was paid from the General Fund. Chapter 384.4 of the Code of Iowa states in part that "Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes must be deposited in the debt service fund."

Recommendation – The City should transfer from the General Fund to the Debt Service Fund for future funding contributions. Payments of the notes and interest should then be disbursed from the Debt Service Fund.

Response – We will make sure all future payments for notes and interest are disbursed from the Debt Service Fund.

Conclusion – Response accepted.

**City of Columbus Junction  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010**

**Part IV Other Findings Related to Statutory Reporting: (Continued)**

2010-II-J

Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We will contact our banks about printing both sides of the checks from now on.

Conclusion – Response accepted.

2010-II-K

TIF Levy – The City levied property tax for TIF revenues, as allowed by Chapter 403.19 of the Code of Iowa, and recorded the TIF revenue collections in the General Fund rather than establishing a separate Special Revenue Fund.

Recommendation – The City should establish a separate Special Revenue Fund for TIF revenues and record the related transactions in the fund.

Response – We will establish a separate Special Revenue Fund and record the related transactions in this fund.

Conclusion – Response accepted.

2010-II-L

Financial Condition – The Urban Renewal Tax Increment Fund had a deficit balance of \$112,389 at June 30, 2010.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state taxes.

Conclusion – Response accepted.

**City of Columbus Junction**

**Audit Staff**

The audit was performed by:

Ann M. Menke, CPA

Carol Ross, CPA

Betty Thomas, CPA

Kristy Adams, Staff Auditor

